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FM SECSTATE WASHDC
TO RUEHLM/AMEMBASSY COLOMBO IMMEDIATE 6126
INFO RUEHRL/AMEMBASSY BERLIN PRIORITY 4004
RUEHSW/AMEMBASSY BERN PRIORITY 6679
RUEHBY/AMEMBASSY CANBERRA PRIORITY 5493
RUEHLO/AMEMBASSY LONDON PRIORITY 7226
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 7310
RUEHNY/AMEMBASSY OSLO PRIORITY 8871
RUEHOT/AMEMBASSY OTTAWA PRIORITY 6917
RUEHFR/AMEMBASSY PARIS PRIORITY 6734
RUEHRO/AMEMBASSY ROME PRIORITY 2672
RUEHSM/AMEMBASSY STOCKHOLM PRIORITY 8267
RUEHTC/AMEMBASSY THE HAGUE PRIORITY 6656
RUEHKO/AMEMBASSY TOKYO PRIORITY 0895
RUEHCG/AMCONSUL CHENNAI PRIORITY 9825
RUEHNEH/AMCONSUL HYDERABAD PRIORITY 0128
RUEHCI/AMCONSUL KOLKATA PRIORITY 3435
RUEHBI/AMCONSUL MUMBAI PRIORITY 2852
RUCNDT/USMISSION USUN NEW YORK PRIORITY 8226
RUEHGV/USMISSION GENEVA PRIORITY 9705
RUEHBS/USEU BRUSSELS PRIORITY

UNCLAS STATE 107719

SENSITIVE
SIPDIS

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [PTER](#) [MCAP](#) [MARR](#) [ECON](#) [EFIN](#) [EAID](#) [IMF](#) [CE](#)
SUBJECT: SRI LANKA: EXPRESSING DISAPPOINTMENT IN DEFENSE
BUDGET BOOST

REF: COLOMBO 943

11. (U) This is an action request. Please see paragraph 3.

12. (SBU) Background: The GSL request to Parliament for nearly \$300 million in supplementary defense spending, which, per ref A reporting, will provide for recruiting of 25,000 new soldiers and constructing new military bases in the North, is disappointing. While we acknowledge GSL security concerns, recognize that the Sri Lankan armed forces carry out a number of civilian tasks in the North, and appreciate the need to maintain operational effectiveness, such large increases are difficult to understand in the context of a greatly diminished LTTE threat, the continued presence of 250,000 internally displaced persons (IDPs) in closed IDP camps, and the North's massive reconstruction needs. The U.S. would find it difficult to support reconstruction assistance under these circumstances, and would also need to take a critical look at future disbursements under the IMF program.

13. (SBU) Action Request: As soon as practicable, post should deliver to the highest-level appropriate GSL political and economic officials the following points:

-We acknowledge Sri Lankan security concerns, and recognize that the Sri Lankan armed forces continue to carry out a number of civilian tasks in the North. Moreover, we appreciate the need to maintain operational effectiveness.

-However, we are disappointed by the government's request to Parliament for nearly \$300 million in supplementary defense spending.

-Such a large increase (15 percent) is difficult to understand or justify in the context of a greatly diminished LTTE threat, ongoing humanitarian needs in the IDP camps, and massive reconstruction demands in the North.

-The approval of the IMF program last July did much to support improved economic conditions in Sri Lanka. It is

important that these gains not be squandered. We cannot understand nor support increases in military spending that would crowd out human and infrastructure investment and be counter-productive to long-term and sustainable economic growth.

-The supplemental military spending request underscores the need to transfer additional responsibilities for administration and security in the North to civilian authorities.

-We urge the government to reconsider this request and to direct domestic resources toward, and to utilize international resources transparently in support of, Sri Lanka's urgent humanitarian and reconstruction needs.

¶4. (U) Please convey GSL responses to Sri Lanka/Maldives desk officer, Anthony Renzulli, RenzulliAF@state.sgov.gov, (202)647-178.
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